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Communist Aid and Trade Activities in Less Developed Countries, First Quarter 1978

A Research Paper

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Communist Aid and Trade Activities In Less Developed Countries First Quarter 1978

*Central Intelligence Agency
National Foreign Assessment Center*

June 1978

HIGHLIGHTS

Czechoslovakia agreed to provide US \$45 million in new economic assistance to Ethiopia, while East Germany agreed to double the port capacity of Assab and to study construction of a railroad from Assab to Addis Ababa.

The USSR reportedly plans to provide up to \$150 million in aid to Ethiopia under a development agreement signed in May 1977.

Romania offered \$290 million in 20-year credits, repayable in metals and crude oil, to construct a section of the trans-Gabon railroad.

Bulgaria and the USSR signed a joint venture to begin development of agriculture in Mozambique's Limpopo basin; the project could eventually cost several hundred million dollars.

Somalia recalled its academic and technical students from Soviet universities in February, charging authorities had cut off their living allowances, but some students apparently elected to finish their studies.

Czechoslovakia agreed to provide \$140 million in credits to Burma, the largest credit Rangoon has ever received from any source.

About 600 Cubans are expected in Jamaica under a recent \$14 million agreement to build six schools.

Panama increased economic contacts with Cuba, Poland, and the USSR during the first quarter.

Egypt may lift its embargo on cotton sales to Czechoslovakia.

The USSR will construct the northern portion of a \$3 billion natural gas pipeline running from the Kangan gasfields in southern Iran to the Soviet border.

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The USSR agreed to provide \$38 million in new credits for a cement plant in North Yemen and \$85 million to South Yemen for its second five-year plan.

Tanzania will be the first sub-Saharan country to receive SA-6 missiles under an agreement signed in March.

Uganda ordered ☐ MIG-23 jet fighters from the USSR.

Mexico has inquired about prices and delivery schedules for Soviet artillery and antiaircraft equipment.

The USSR has agreed to defer some payments due on Peru's military debt.

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ARTICLE

Communist Aid to the Less Developed Countries of the Free World, 1977

North Africa

In 1977, North Africa was the scene of a substantial expansion of the USSR's military and economic programs. Moscow's [redacted] in new military agreements consolidated the virtual Soviet monopoly over modern weapons sales to Algiers and enhanced Moscow's supplier role in Tripoli (see table 1). These agreements, along with new pacts with Syria, give the USSR a position of influence with the "Steadfastness Front" opposing accommodation with Israel, formed after Egyptian President Sadat visited Jerusalem. The North African arms market is lucrative—Moscow charges full list prices payable in hard currency—and further sales of advanced weapons are likely. Sales prospects were enhanced in December, when Libya promised to finance at least [redacted]

[redacted] worth of Syrian arms purchases from the USSR, although no funds have actually been transferred to date. Elsewhere in the Maghreb, Morocco gave preliminary approval to a phosphate agreement representing Moscow's largest single deal with a Third World country, and Tunisia agreed to permit limited use of shipyard repair facilities by the Soviet Mediterranean squadron.

Algeria signed [redacted] in new military supply contracts, more than [redacted] its commitment to buy Soviet arms and moving further toward its goal of military dominance in the area. Unlike Libya, Algeria possesses sufficient trained

manpower to integrate sophisticated Soviet equipment into existing units and to create new units. Moscow's large-scale military supply program also provides Algeria with important political, psychological, and strategic support against a Moroccan arms buildup fueled by escalating tensions over the Western Sahara.

Libya's cumulative arms purchases from the USSR soared to a total of [redacted] with a new [redacted] agreement. The supply of arms is the cement binding Soviet-Libyan relations. The Libyan arsenal of Soviet weapons, mostly delivered since 1974, gives Qadhafi something he can contribute to an Arab confrontation with Israel and compensates to some degree for his isolation from most other Arab states. Libya's own armed forces remain constrained by a shortage of skills, and vast quantities of their rapidly growing stock of arms remain in storage, but Libyan inventories could be used to resupply other Arab forces in the event of conflict with Israel. In the meantime, Libya has transferred weapons to other Soviet clients in the area, such as Algeria, Ethiopia, and the Palestinians.

Morocco and Tunisia, long known for their almost exclusive Western orientation, negotiated unprecedented agreements with the USSR during the year. In December, Rabat and Moscow reached preliminary agreement on a Soviet proposal to provide \$2 billion in credits to develop the Meskala phosphate deposits. Combined trade and credit transactions under the 30-year agreement could eventually reach \$10 billion. Tunisia succumbed to a Soviet offer of high fees, payable in hard currency, to use the Menzel Bourguiba shipyard facilities at Bizerte for the Soviet Mediterranean fleet. The arrangement makes good

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economic sense for Tunisia and enhances the operational capability of the USSR's Mediterranean squadron by replacing to a limited degree the major port facilities at Alexandria lost in 1976.

Sub-Saharan Africa

Rising international criticism did not deter Moscow from further military adventures in sub-Saharan Africa in 1977. The value of new military agreements soared to [redacted] the level of 1975, when the Angolan insurgency offered Moscow a unique opportunity to expand its military role in Africa. Soviet arms transfers last year neared [redacted] almost [redacted] previous peak deliveries to the region.

These record-setting transactions reflected a major shift in Soviet policy in the Horn of Africa, where Moscow abandoned its former preferred client, Somalia, in favor of Ethiopia soon after Mogadiscio invaded the Ogaden region of Ethiopia in summer 1977. Soviet agreement to provide [redacted] in modern equipment to Ethiopia—probably with Libyan financing—was accompanied by an embargo on shipments of offensive weapons to Somalia. Mogadiscio reacted by abrogating the 1974 Somalia-Soviet friendship treaty in November, withdrawing Soviet rights to naval and air facilities, and expelling some 1,500 Soviet advisers.

Conservative Arab backing notwithstanding, Somalia was not able to obtain significant amounts of heavy arms from alternate suppliers. Unable to replenish its fast-dwindling arsenal, and outgunned and outmanned more than two-to-one by the combined Ethiopia-Cuban force, the Somali invaders were defeated quickly and driven out of the Ogaden.

As in Angola, the unprecedented arms buildup in Ethiopia was accompanied by the introduction of sizable numbers of Soviet-sponsored Cuban military personnel. The 1,000-plus Cubans have served as combat troops, maintenance technicians, and instructors on the new equipment. The buildup of the Cuban contingent in Ethiopia was part of a near-doubling of Cuban military personnel in the sub-Sahara, from 11,200 in 1976 to

21,300 troops in 12 countries. Most other Cuban arrivals in 1977 went to Angola to help the revolutionary government combat increasing challenges from National Union for Total Independence of Angola (UNITA) rebel forces operating in outlying areas. Cubans have also been moving into civilian jobs in increasing numbers. In 1977 almost 6,000 Cuban nonmilitary technicians were present in black Africa, performing jobs as doctors, teachers, and construction workers, largely in Angola.

In spite of public outcry against Soviet-Cuban interference, Moscow continued to channel arms and advisers to southern Africa's guerrilla groups, especially to the Zimbabwe African People's Union (ZAPU) operating against Rhodesia and the Southwest African People's Union (SWAPO) operating against Namibia. The availability of Soviet arms has resulted in an intensification of guerrilla activity against white strongholds and has helped to strengthen radical black nationalist ability to resist negotiated settlements. In 1977, for the first time, Moscow furnished Rhodesian insurgents up-to-date heavy artillery pieces and armored vehicles, in addition to the traditional small arms, machineguns, and mortars. As the USSR has renewed and deepened its commitment to black liberation movements and to the established governments backing the movements, it has become the major source of weapons for the principal frontline states (Angola, Mozambique, Zambia, and Tanzania). Tanzania, a major supporter of the guerrilla groups, signed its largest military pact with Moscow in 1977, and Soviet commitments to other frontline states also escalated.

The value to Moscow of its status as black Africa's major military supplier was eroded somewhat, however, by setbacks in several former client states. In Somalia, the loss of extensive naval and air facilities hampered Soviet fleet capabilities in the Red Sea and Indian Ocean. Guinea, increasingly concerned over Soviet and Cuban incitement of local conflicts, banned Soviet use of Conakry airfield for long-range reconnaissance aircraft and turned down a Soviet request to expand use of Guinean naval facilities. Sudan renounced its Soviet military ties and

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joined conservative Arab states in calling for an end to Soviet military intervention in the Red Sea area.

Many African countries, favoring African solutions to the continent's problems, are unhappy with Moscow's military presence and have demanded that the USSR focus on the region's economic problems. Moscow nonetheless has shown no inclination to change its comparative indifference to sub-Saharan Africa's economic affairs. In 1977, it extended only \$21 million in new economic aid, almost all to Tanzania (see table 2). Except for technical assistance, Soviet economic programs on the continent have always been aimed primarily at North Africa. Sub-Saharan states have received less than 10 percent of Moscow's \$13 billion in worldwide economic commitments. The number of Soviet technical people in black Africa grew by more than 25 percent in 1977 to 4,400, employed mostly in administration, education, and public health. The largest contingents were stationed in Guinea, Mali, Angola, and Equatorial Guinea.

In 1977, Chinese economic aid extensions to sub-Saharan Africa fell to a seven-year low of about \$50 million, with Liberia and the Cape Verde Islands signing their first economic agreements with Peking. Among black-ruled countries in Africa, only Malawi has not signed an economic aid agreement with China. Peking's \$2.2 billion in economic aid to Africa has made Peking the most effective international donor to the poorer African countries. The recent decline in new agreements with African states probably stems from economic constraints within China rather than from an alteration in Peking's African policy.

Latin America

In addition to an interest in exploiting Latin America as a source of food and raw materials, Moscow has cultivated Peru as a major arms client in the past three years. A campaign to sell a wide array of military equipment to other Latin American countries (especially Argentina, Brazil, Colombia, Ecuador, Mexico, Uruguay, and Venezuela) has borne no fruit, the Soviet-Cuban

military partnership in Africa having created new concerns about Soviet intentions. Only Colombia has signed a small contract for jeeps.

Communist countries, still trying to bring their trade with Latin American countries into closer balance, have offered large new credits and urged faster drawdowns on outstanding credits. Moscow bid on several billion dollars in power contracts in Brazil and Argentina, with whom Moscow ran a combined \$385 million trade deficit in 1977. It also signed \$200 million in contracts under 1975 credits with Colombia for the Alto Sinu hydropower project—the largest Moscow has yet undertaken in the region—and a \$30 million deal with Bolivia for mining equipment. The new Colombian agreement brings Soviet power equipment sales to Latin America to nearly \$500 million since 1970. East European countries provided \$80 million in new credits to the smaller countries in the region and encouraged the use of credits to finance Latin American imports. The USSR also has begun to use oil sales as a more effective and rapid means of reducing its deficit. In 1977 these sales reduced the Soviet deficit with Brazil to a little under \$140 million from the \$400 million level of earlier years.

All Communist countries continue to be hampered by Latin America's preference for traditional Western goods, and only \$525 million of the \$2.4 billion in Communist credits made available to Latin countries since 1958 have been drawn.

Middle East

Soviet interests in 1977 continued to focus on the Middle East, where Moscow's most important economic and military programs were concentrated. Consternation among Arab leaders about Egyptian peace overtures multiplied opportunities for Soviet diplomacy and brought the radical confrontation states into closer alliance with Moscow. [redacted] in weapons orders by Syria and Iraq in 1977 confirmed the importance these states attached to their arms relationship with the USSR. Moscow also penetrated the lucrative Gulf arms market with its first sale in the area, [redacted] worth of air defense equipment to Ku-

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Table 1
Communist Military Agreements Concluded with LDCs,¹ 1977

Million US\$

	Eastern Europe									
	Total	USSR	Total	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Romania	China
Total ²	4,908	3,988	179	8	88	67	11	21	5	38
Africa										
North Africa										
Algeria										
Libya										
Sub-Saharan Africa										
Angola										
Benin										
Botswana										
Burundi										
Congo										
Equatorial Guinea										
Ethiopia										
Ghana										
Guinea										
Madagascar										
Mali										
Mozambique										
Nigeria										
Somalia										
Sudan										
Tanzania										
Zaire										
Zambia										
East Asia										
Indonesia										
Latin America										
Colombia										
Peru										
Middle East										
Cyprus										
Egypt										
Iraq										
Kuwait										
Syria										
South Asia										
Bangladesh										
India										
Pakistan										

¹ Includes all agreements for military supplies provided for cash, under credit agreements and as grants. Values of military agreements are based on trade prices charged the LDCs.

² Agreement signed, but value of agreement is not known.

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Table 2
Communist Economic Aid Extended to LDCs, 1977¹

Million US \$

Eastern Europe											
Total	Total	USSR	Total	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Romania	China	
.....	673.5	392.1	323.9	6.3	(²)	213.6	58.6	33.0	15.0	177.5	
Africa	271.2	21.3	143.7	...	...	75.7	35.0	33.0	...	106.5	
North Africa	92.0	...	33.0	...	...	...	35.0	...	...	57.0	
Tunisia	92.0	...	33.0	...	...	...	35.0	...	...	57.0	
Sub-Saharan Africa	179.2	21.3	106.7	...	...	75.7	...	33.0	...	49.5	
Angola	0.5	0.5	...	...	...	...	...	...	...	...
Cameroon	32.4	...	...	...	...	...	...	...	...	32.4	
Cape Verde	0.5	...	...	...	...	...	...	...	...	0.5	
Congo	23.0	...	22.0	...	...	22.0	...	...	...	6.0	
Ethiopia	23.8	...	23.8	...	...	23.8	...	...	...	...
Ghana	1.0	1.0	...	...	...	...	...	...	...	...
Guinea	0.5	0.5	...	...	...	...	...	...	...	...
Liberia	10.0	...	...	...	...	...	...	...	...	...
Moreambique	2.0	(²)	1.5	...	...	1.5	...	...	...	10.0	
Senegal	0.5	0.5	...	...	...	...	...	...	...	0.5	
Somalia	0.2	...	0.2	...	...	0.2	...	...	...	...
Sudan	61.7	...	61.7	...	...	25.7	...	33.0	...	...
Tanzania	15.5	15.5	...	...	...	...	...	...	...	...
Latin America	105.0	30.0	75.0	...	...	40.0	23.0	...	15.0	...	
Bolivia	15.0	...	15.0	...	...	...	...	...	15.0	...	
Costa Rica	(²)	...	(²)	...	...	...	...	...	(²)	...	
Guyana	20.0	...	20.0	...	...	20.0	...	...	...	...
Jamaica	25.0	30.0	5.0	...	...	...	5.0	...	...	...
Mexico	35.0	...	35.0	...	...	20.0	15.0	...	...	...
Middle East	97.0	...	97.0	...	(²)	97.0	...	...	...	(²)	
Egypt	95.0	...	95.0	...	(²)	95.0	...	...	...	...
Iraq	(²)	...	(²)	...	(²)	...	...	...	...	...
South Yemen	2.0	...	2.0	...	...	2.0	...	...	...	(²)	
South Asia	392.4	340.0	6.3	6.3	...	...	...	...	...	51.3	
Bangladesh	51.3	...	...	...	...	...	...	...	...	51.3	
India	340.0	340.0	...	...	...	...	...	...	...	...
Nepal	0.5	0.5	...	...	...	...	...	...	...	...
Pakistan	6.3	...	6.3	6.3	...	...	...	...	...	...

¹ Additional credits totaling almost \$195 million were provided by other Communist countries, including \$4 million from North Korea to Burma; and Yugoslav agreements with Turkey (\$120 million), Sudan (\$31 million), Burma (\$20 million), Bangladesh (\$10 million), Egypt (\$6 million), and Nepal (\$1 million).

² Agreements signed, but value of agreements is not known.

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wait. One of the USSR's smallest Arab clients, South Yemen, assumed new importance toward the end of 1977 as Moscow sought expanded Red Sea air and naval facilities at Aden to replace those lost in Somalia.

The [] Soviet arms sale to Syria moved Damascus into first place among Soviet arms clients, contrasting sharply with events in 1976 when Moscow had tried to manipulate the Syrian position by withholding arms. A [] agreement signed in December responded to Syria's urgent request for more arms to expand and modernize its armed forces in the event of a war against Israel without Egyptian support. Prospects for Syrian purchases from the Soviets were bolstered by Libyan promises in December of [] in financing for late model equipment. Tripoli also implied that more money would be available if needed.

Soviet commercial interests also moved into the forefront in 1977. Extensive Soviet economic deals with Iraq and Iran, initiated in 1976, were expanded in 1977 as Moscow moved to consolidate commercial ties with these countries. At yearend, the USSR was negotiating for several billion dollars worth of development contracts with Iran and Iraq, its two principal Third World customers for civilian equipment. Moscow and Tehran were near agreement on Soviet participation in a \$3 billion gas pipeline being built from Kangan to the Soviet border as part of a 1975 triangular deal with several West European countries. Iran also has been discussing Soviet assistance for two new hydropower projects, a \$500 million aluminum plant, and expansion of highways, railroad, and port facilities.

In Iraq, the USSR moved to implement \$1 billion in contracts signed in 1976. Negotiations for building the Mosul Dam were completed, and the Soviets began work on several power and irrigation projects which together would add 5 million hectares of cultivable land and 3,000 megawatts (MW) to Iraq's power capacity.

Moscow's relations with Egypt, once the centerpiece of its Third World economic and military programs, sank to new lows in 1977.

Apparently willing to lose what was left of the longstanding Soviet-Egyptian relationship, President Sadat embargoed cotton sales to both the USSR and Czechoslovakia in 1977 and declared a moratorium on military repayments to the USSR. Trade with Egypt—once Moscow's largest trading partner—sank to a five-year low largely because of Egypt's failure to sustain the large surpluses it had previously used to meet repayment obligations.

Despite the decline in exchanges with Egypt, Soviet nonmilitary trade with the Middle East surpassed all previous levels in 1977, pushed by the new wealth of regional oil producers and by Soviet gas and oil imports from these countries (more than half of Moscow's \$1.5 billion in imports from the Middle East in 1977). Soviet exports totaling \$1.6 billion were heavily weighted by \$575 million in equipment and other goods going to Iran, which became the most important Soviet market in the Third World.

During 1977, East European countries redoubled their efforts to exploit the vast Middle Eastern market for goods and services, while seeking to obtain long-term commitments for oil supplies. Iran sold its first oil to Poland and increased deliveries to Bulgaria and Hungary, while remaining cool to long-term barter proposals. Iraq sold at least 150,000 b/d of crude oil to Eastern Europe and became the foremost Third World trading partner for East Germany and Hungary and the largest Third World buyer of Polish industrial equipment.

South Asia

South Asian countries, with whom the USSR had forged its earliest economic ties in the Third World, continue among Moscow's leading economic and military aid clients. For more than 20 years India and Afghanistan have been major Soviet aid recipients. Both countries have relied on Moscow for large inputs to their development efforts as well as support for their military establishments.

In 1977, the USSR provided the new Indian Government with New Delhi's first major Soviet economic development credit in over a decade.

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together with a record military package. The \$340 million of economic assistance carried the most favorable terms the USSR has ever offered India and pushed total Communist economic aid commitments to India to \$2.7 billion. India's [] purchases of military goods from the USSR brought Soviet military commitments to New Delhi to []

China tried to preserve its regional influence in new overtures to Bangladesh and India despite a reduced role as a military supplier to Pakistan. The effect of Peking's [] economic and military program in Pakistan—China's largest in the Third World—could be eroded with Islamabad's turn to France for military supplies under large new arms contracts.

Nonetheless, Pakistan's suspicions of Soviet ties with Afghanistan and India, as well as a strong pro-Chinese sentiment among Pakistan's ruling elite, may preserve China's political influence in the country. In the meantime, Bangladesh received its first Chinese economic assistance since independence, as well as MIG-17 and MIG-19 aircraft as a gift. The military relationship with Dacca began in 1976, when China provided spares for Soviet equipment that was inoperable because of lagging Soviet spares deliveries. Peking and New Delhi signed their first trade agreement in more than two decades and China made low-level overtures toward normalizing diplomatic relations.

FIRST QUARTER DEVELOPMENTS

Communist Economic Activities in LDCs

Africa

General. Early in February, black African scholarship students in Bulgaria staged one of their periodic demonstrations against harsh living conditions. The refusal of Bulgarian authorities to provide facts surrounding the death of a Nigerian student in a Bulgarian hospital touched off the latest round of protests. []

Hungary announced that imports from 26 of the world's 30 least developed countries were

exempt from customs duties effective 1 January 1978. The move responds to demands of less developed countries (LDCs) at the fourth UNCTAD (UN Conference on Trade and Development) conference that the 30 least developed countries receive full tariff exemption from more prosperous trading partners. Eighteen of Hungary's least developed trading partners are in Africa. []

Hungary's Foreign Minister toured Angola, Congo, Ethiopia, Mozambique, Nigeria, and Tanzania to discuss an increase in economic relations. No new agreements were reported. []

North Africa

Algeria. President Boumediene visited Moscow in January to discuss Middle Eastern affairs, particularly the possibility of a separate Israeli-Egyptian peace agreement following upon Egyptian President Sadat's dialogue with Israel. []

Libya. Bulgaria won \$80 million in contracts to install facilities at six hospitals in Libya. Libya probably will pay cash for the projects. []

During Libyan Prime Minister Jallud's February visit to Moscow, the USSR reaffirmed its willingness to provide assistance in metallurgy, power, oil and gas, mining, and agriculture. Soviet geologists reportedly will explore for oil in Libya and will formulate a development plan for the gas industry through the year 2000. The USSR also promised to assist the development of a 5-million-metric-ton iron and steel plant and to expedite plans for a nuclear power plant. These projects were first agreed to in December 1976. []

Morocco. In March, Moroccan officials signed agreements in Moscow for \$2 billion in Soviet credits to develop the Meskala phosphate deposits over an eight- to 10-year period. A protocol to the agreement calls for \$20 million in credits to be made available immediately for feasibility and engineering studies. The deal—referred to by King Hassan as "the contract of the century"—will include a railroad, road networks, and port

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storage facilities in addition to an open pit mine. In return, Moscow will receive 10 million tons of phosphate rock from Meskala annually for 30 years as repayments for the construction loan and as barter for Soviet products. According to the Moroccan press, transactions related to the agreement could rise to as much as \$10 billion, moving Morocco into first place among Moscow's African trading partners. For the USSR, phosphate imports from Morocco will support the buildup of domestic fertilizer capacity, especially for complex fertilizers. The agreement has been under negotiation for four years, but signing was deferred because the USSR supported Algeria against Morocco in the Western Sahara dispute. Soviet public neutrality on the Sahara issue was a Moroccan condition for agreeing to the pact.

Tunisia. During trade discussions in late 1977, East Germany offered to provide a phosphate plant to Tunisia. The terms of the deal are not known.

Sub-Saharan Africa

Angola. Cuba and Angola signed cooperation agreements in February that call for additional Cuban advisory personnel for agriculture, energy, and the food industry. Meanwhile, more than 700 Cubans arrived to train Angolan students at the primary school level under an agreement signed in 1977, bringing the number of Cuban economic personnel in Angola close to 5,000.

In February, Angola signed its first economic cooperation agreement with Romania, which provides unspecified credits to develop the petroleum, chemical, energy, wood processing, and textile industries. The two countries also signed agreements on technical assistance and trade.

Other East European countries strove to increase business ties through the use of commercial financing. East Germany signed agreements calling for seven-year credits at 5-percent interest for complete plants and five-year repayments at 5-percent interest for machinery. Bulgaria and Czechoslovakia offered similar terms for vehicles. Hungary was investigating the reactivation of

existing steelmaking facilities, as well as setting up small new steel plants and ferroalloy facilities, but no contracts were concluded.

Moscow's major economic initiatives in Angola during the first quarter involved the fishing industry and maritime affairs. In March, the Soviet Minister of the Fish Industry reportedly signed agreements in Luanda calling for Soviet assistance in establishing a number of fish processing plants on the Angolan coast. His visit coincided with the delivery of six Soviet fishing trawlers to Angola as a gift. The USSR already is heavily engaged in fishing Angolan waters under agreements signed in 1976 and 1977. According to a January announcement, the USSR will also provide ships for a merchant marine and train Angolan port personnel.

Benin. In February, Benin announced plans to sign its first economic agreement with Bulgaria in the near future.

Burundi. Burundi's Foreign Minister traveled to Peking in January to discuss further agricultural assistance under a \$20 million 1972 agreement.

Cape Verde. Cape Verde signed its first trade agreement with the USSR in December 1977. The provisions were not announced.

Ethiopia. China signed a protocol in February to construct a 7,000-seat sports palace in Addis Ababa. Chinese teams have already prepared feasibility reports on the project, which was first discussed in March 1976. In February, China also completed the fourth of eight diesel power plants being constructed under a 1971 credit agreement and a water supply project, both in Kiffa Province.

As fighting moderated in the Ogaden, European Communist countries moved to expand economic ties with Ethiopia during first quarter 1978. A CEMA (Council for Mutual Economic Assistance) delegation visited Addis Ababa in March, and East European countries signed a number of bilateral agreements to assist Ethiopian development.

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Czechoslovakia agreed to provide \$45 million in assistance for unspecified Ethiopian projects. About \$2 million will be provided as a grant, probably for commodities; the remainder is repayable over 15 years at 2.5 percent with three years' grace. Prague's program in Ethiopia had been dormant following completion of a tannery, a tire plant, and a shoe factory under credit agreements concluded in the late 1950s.

East Germany reportedly signed an agreement on 10 February to double the capacity of the port of Assab over the next three years and to study construction of a 710-kilometer railroad to connect Assab with Addis Ababa. In 1977, East Germany allocated about \$20 million for Ethiopian development projects; new credits almost certainly would be required for the port and railroad projects. East Germany also announced plans to participate with a West German firm in the construction of a cotton mill in Ethiopia, probably on a commercial basis.

Hungary agreed in February to provide 35 technicians in various fields to Ethiopia—25 on a grant basis—and to accept 180 Ethiopians for training in Hungary. Hungary also signed contracts to deliver 50 buses valued at \$2.3 million to Ethiopia.

Planned Soviet development of the Awash Valley under a protocol signed in May 1977 carries a price tag of \$300 million, according to a recent Soviet feasibility study. The project includes a dam, schools, roads, hospitals, development of 60,000 hectares of irrigated land, and the establishment of food-processing plants. Final feasibility studies on the project are due in August. Soviet aid totaling \$125 million to \$150 million will be provided for projects under the 1977 protocols.

Gabon. In January, a Romanian delegation to Libreville presented the details of a proposal to provide \$290 million in financing for the third leg of the trans-Gabon railroad, to serve the Belinga iron ore mines. Romania also expressed interest in the development of the mines, which will require an investment of \$100 million to \$120 million. Gabon would repay the railroad

construction credit over 20 years with iron ore, petroleum, manganese, and uranium. The credit agreement if concluded will be the largest Bucharest has ever entered with a developing country. The offer illustrates the growing aggressiveness of the Romanian program to secure long-term supply arrangements.

Ghana. In January, China shipped the first consignment of equipment for rice production to the \$13 million Afife irrigation project in eastern Ghana.

Madagascar. China has begun to deliver equipment for resurfacing the Tamatave-Moramanga road, Peking's largest project under a \$55 million credit agreement signed in 1975.

The fourth session of the Romanian-Madagascar joint economic commission discussed a series of project proposals which if implemented would place Romania among the top aid donors to Madagascar. Projects include the diversification of output at the Tamatave oil refinery, exploitation of iron ore in Soalala, a 5,000- to 10,000-hectare agricultural complex, a vehicle assembly plant, an iron smelting plant in Moramanga, road improvement, and construction of thermal power plants. In 1975, Romania signed an economic cooperation agreement that provided a minimum of \$10 million in credits for development projects.

Mali. The USSR donated 2,000 tons of rice valued at nearly \$1 million to Mali in February.

Mozambique. Bulgaria and the USSR signed a joint venture protocol with Mozambique to increase irrigated agriculture in the Limpopo Valley from 30,000 to 314,000 hectares. The project includes the completion of the Massinger and Mapai dams; Bulgaria also will install a 40-MW power plant at the Massinger dam. Work on the project is expected to begin this year. Before independence, Portugal had already begun to develop the 80,000-square-kilometer Limpopo Basin, considered by experts an important potential granary for Mozambique. The overall Bulgarian-Soviet plan envisages aid for irrigation, water

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supply, power, river navigation, fishing, livestock and forestry, mechanized agriculture, housing, and public services. The terms of Communist assistance have not been announced. The USSR also signed contracts to equip five technical schools and an industrial institute for teachers and to conduct a geological survey. These activities are being carried out under credit agreements. [REDACTED]

Nigeria. Nigeria has approached Cuba for assistance in fisheries development, low-cost housing, and sugar production, according to Nigeria's commissioner for economic development. [REDACTED]

In February, Hungary and Nigeria extended a 1975 medical equipment agreement for an additional two years. The agreement calls for Budapest to finance 80 percent of the value of Nigeria's hospital equipment purchases over 12 years at 3-percent interest. Hungary already has concluded contracts valued at \$27.5 million under the agreement.

Poland will send 300 Polish experts to Nigeria and admit 300 students to Polish universities and technical institutions annually under a two-year technical agreement signed in March. Nigeria is Poland's largest sub-Saharan African trading partner. [REDACTED]

Senegal. In February, China delivered 1,000 tons of gift wheat, valued at about \$120,000, for drought victims in Senegal. [REDACTED]

Sierra Leone. Sierra Leone has requested discussions on possible Hungarian assistance for agriculture and pharmaceuticals. [REDACTED]

Somalia. In February, Somalia recalled 370 university students from the USSR after accusing Soviet authorities of cutting off their living allowances. A group of Somalis nearing graduation from Soviet institutions protested the Somali order to return home, and reportedly received Soviet assurances of continuing support if they decided to remain in the USSR. Some 600 military students were recalled at the end of 1977. [REDACTED]

Togo. Poland is considering participation with a number of Western countries in a \$250 million to \$300 million phosphoric acid fertilizer facility in Togo. [REDACTED]

Uganda. In January, the USSR signed an agreement on minerals prospecting, reportedly the first agreement of this kind between the two countries. [REDACTED]

Upper Volta. China turned over a second rice production project, at Banfora, established under a \$48 million credit agreement signed in 1973. [REDACTED]

China handed over a check for \$200,000 to Voltan authorities as drought relief. [REDACTED]

The USSR announced that it will give Upper Volta six trucks to carry supplies to drought victims. The USSR previously has provided the services of several aircraft and pilots to transport relief supplies to isolated areas in the north. [REDACTED]

East Asia

Burma. Chinese technicians completed work to double output at the Meiktila textile plant, financed by \$8 million in credits under a 1971 agreement. [REDACTED]

In January, Czechoslovakia signed an agreement to provide \$140 million of credits to Burma, repayable over 16 years at 2.5 percent. The funds will be used to expand a Czechoslovak-built tractor plant at Malun and to set up plants making diesel pumps for agriculture and tires. The projects are to be completed by 1980. [REDACTED]

Indonesia. Hungary has offered foundry, forging, and casting machinery valued at \$100 million for a planned Indonesian motor manufacturing complex. Jakarta has specified that the transaction must take place on a credit basis. [REDACTED]

Romania has offered to establish joint ventures in petroleum (including a refinery) and motor vehicle assembly. About \$30 million in Romanian credits were allocated for petroleum develop-

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ment under a pre-1965 credit agreement, but were never drawn.

The USSR first signed a \$2.5 million credit agreement to design the \$140 million Mrica power plant in central Java. The USSR offered credits for equipment for the 180-MW power plant in 1975. If Moscow eventually receives the construction contract, the project probably will be financed under an economic cooperation agreement concluded in 1975. A Soviet offer for a 600-MW plant in western Java is still pending.

Malaysia. Soviet Deputy Foreign Minister Firubin paid a friendship visit to Kuala Lumpur to discuss an expansion in bilateral economic relations. Moscow, concerned about a continuing \$100 million annual imbalance in trade because of purchases of Malaysian rubber, has offered to supply equipment to several development projects. These overtures have been rejected in the past by Malaysian officials.

Philippines. China and the Philippines signed their annual trade agreement, incorporating a Chinese oil sales contract, in late January. The agreement calls for balanced trade: in return for 7,330,000 barrels of crude oil valued at about \$80 million, Peking will receive sugar, copper concentrates, and agricultural and chemical products. Pushed on by the oil trade that began in 1975 with the establishment of diplomatic relations, Chinese-Philippine exchanges reached \$170 million in 1977, \$26 million in Manila's favor because of sugar sales to Peking. Philippine officials were disappointed that they could not obtain a larger Chinese commitment for oil and a long-term agreement that would enable them to modify refining facilities to process only Chinese crude.

Soviet officials have refused to comment on a reported offer of a nuclear power plant to the Philippines when a US contract to build the \$1.1 billion plant came under scrutiny by regulatory agencies.

Europe

Malta. Czechoslovakia's Foreign Trade Minister visited Malta for the opening of Czechoslovak

plants to produce precision instruments and hydraulic equipment. All of the output will be exported to Czechoslovakia (which holds a 40-percent share) for 10 years at a guaranteed annual profit. The Minister also discussed proposed Czechoslovak participation in a steel foundry and a shoe factory.

Latin America

Argentina. Soviet electric power generators scheduled for installation at San Antonio Oeste will be shipped to Bahia Blanca. This contract has not previously been noted; it could be part of a 1974 agreement under which Argentina has bought \$175 million in equipment.

Brazil. In January, Brazil and China signed their first government-to-government agreement since the two countries established diplomatic relations in 1974. The agreement specifies hard currency settlements and for the establishment of a mixed commercial commission to meet every two years. China hopes that the agreement will enable it to increase exports to Brazil, a major raw materials supplier, to rectify large annual Brazilian surpluses. Since 1974, when direct trade began, China has bought almost \$240 million worth of Brazilian agricultural products but has sold only about \$1 million in goods, mostly pharmaceuticals.

The joint Brazilian-East German trade commission has recommended joint power industry ventures in third countries as the most feasible method for increasing and balancing trade. The details of the arrangements were not revealed. Brazilian sources forecast two-way trade at \$400 million annually over the next three years if the two governments accept the proposal.

At the request of East European countries, Brazil has been working hard to find methods to curb huge East European imbalances. In 1977, East Germany's imports from Brazil reached more than \$100 million, with sales only about \$30 million.

The trade picture for other East European countries is similar. Hungary has offered to coop-

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erate in pharmaceuticals, medical equipment, and the alumina industries to offset deficits which reached \$180 million in 1977. Poland, with sales to Brazil rising to \$115 million in 1977, still had a \$100 million bilateral trade deficit.

In March, Brazilian sources announced the conclusion of a petroleum contract with the USSR calling for imports of 30,000 b/d of crude oil in 1978 at a price of \$13 per barrel. In 1977, Brazilian oil imports from the USSR reached 40,000 b/d; the reason for this year's reduction was not announced. Soviet oil sales have been instrumental in bringing the Soviet trade deficit down to a little under \$140 million in 1977 from about \$400 million in the previous year.

Chile. In January, Chile approved a small sale of molybdenum to the USSR, its first Soviet contract since the 1973 coup that overthrew the Allende government. Czechoslovakia, Poland, and Romania also contracted to buy small quantities of Chilean products during the first quarter. Santiago hopes that a gradual resumption in Eastern trade relations will moderate Soviet propaganda against the Chilean regime.

Costa Rica. Cuba was disappointed by Costa Rica's refusal to grant most-favored-nation status to Cuba, and a formal trade agreement scheduled to be signed in Havana in late February did not materialize. The two sides instead signed a memorandum on trade whose provisions were not announced. Following the delegation's return from Havana, Costa Rica's new government announced a "freeze" on relations with Cuba and the USSR at their present level. The winning party had promised no increase in ties with the Communist world during the recent election campaign.

Dominican Republic. Cuba has offered assistance in promoting the use of sugar cane byproducts for cattlefeed, a major item in the Dominican Republic's program to diversify the sugar industry.

Ecuador. During its first session in February, the Ecuadorean-Romanian economic commission signed a five-year trade and payments agreement whose provisions were not announced. This is the first long-term trade agreement between the two countries.

Guyana. A Guyanese trade delegation visited East Germany and Hungary in February. The purpose of the GDR visit was to choose consumer goods under a \$6 million credit carrying three-year repayment terms. The goods will be used to generate local funds for an East German vegetable oil plant and a vehicle repair shop. In Hungary, the delegation discussed purchases under a 1977 trade agreement that offers \$10 million in one-year credits for consumer goods and five- to seven-year repayments for capital goods. Guyana also tried to promote sales of rice, sugar, rum, and bauxite, apparently with little success.

Jamaica. Cuba will provide assistance valued at \$14 million to build six schools in Jamaica, according to a February announcement. The project will bring 600 Cubans into Jamaica during the construction phase. In March, Cuba handed over 22 Russian-made tractors as a gift for use in Jamaica's agriculture and land reform programs.

In March, Hungary agreed to increase an \$8 million line of credit provided in 1977 to \$22 million. Of the total, \$14 million will be used for development projects and \$8 million for consumer goods. In addition, Hungarian foreign trade organizations have provided a further \$14 million for medical equipment, pharmaceuticals, and textiles, repayable over eight years at 7- to 8-percent interest. Earlier this year Jamaica's Prime Minister Manley announced that Hungary would begin engineering and design work for an alumina plant first proposed for Hungarian financing in 1975. No mention was made of the \$150 million of Hungarian credits originally offered for the plant.

Mexico. China has become concerned at a \$50 million trade deficit stemming from agricultural

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purchases in 1977. To promote sales, Peking plans a major industrial exhibition in Mexico City later this year. [redacted]

Mexico's President will visit Moscow late in May 1978 to discuss cooperation in agriculture, energy, and the food industry, as well as an expansion in trade. [redacted]

Nicaragua. China purchased 150,000 bales of cotton from Nicaragua, about one-third of the Nicaraguan crop. [redacted]

Panama. There was a noticeable increase in Communist economic activity in Panama during first quarter 1978. In February, a Cuban delegation met with the Panamanian Agriculture Minister to discuss expanded agricultural cooperation; no agreement was announced. Poland signed a five-year cultural agreement that calls for student exchanges, and a Soviet delegation opened a week-long exhibition of electronic and photographic equipment in March. Panama's Agriculture Minister also traveled to Yugoslavia to arrange a purchase of machinery and vehicles. [redacted]

Peru. Romania offered a 100,000-ton soda ash plant and steel industry equipment to Peru during the Lima visit of a Romanian Deputy Foreign Trade Minister in February. Part of the project could be financed by a \$25 million credit provided by Romania in 1973. The two sides also discussed the construction of a machine tool plant already planned under the agreement. [redacted]

Surinam. In spite of a lack of enthusiasm on the part of Surinam, China plans to sponsor a trade fair in Paramaribo in the fall of 1978. [redacted]

Uruguay. According to a Uruguayan engineer at the Salto Grande hydroelectric project, Soviet deliveries for the power plant are scheduled for completion in 1979. The project is being built jointly with Argentina with \$81 million in Soviet credits extended in 1974. [redacted]

Middle East

Cyprus. Cyprus signed a protocol to import unspecified machinery and equipment from Czechoslovakia in 1978 as the first transaction under a \$5 million 1976 credit agreement. [redacted]

Egypt. A Chinese delegation was in Egypt in February to study the feasibility of constructing a "colossal" conference center in Cairo, possibly as a gift. The two countries also discussed Chinese assistance to the mining and petroleum industry. [redacted]

Cairo may lift the embargo on cotton sales to Czechoslovakia that was imposed in 1977 when Prague refused to ship \$80 million worth of tanks ordered in 1976. Egypt has indicated that it may offer cotton from its 1978 crop on hard currency payment terms. [redacted]

Romania agreed to extend the expiration date of a 1971 loan agreement that provides \$100 million in credits for development projects. Only about \$10 million has been drawn for a sulfuric acid plant. President Sadat had discussed the Romanian cooperation program during a state visit to Bucharest in February. [redacted]

According to Soviet data, Egypt repaid \$117 million of outstanding debt in 1977, through a surplus on its Soviet trade account, against the \$200 million payment planned under the trade protocol for 1977. Total trade fell \$330 million short of the \$1 billion protocol level. The Soviets reportedly plan to continue trade at 1977 levels through June 1978 even though a new protocol has not been signed; however, Moscow reportedly plans to cut off coking coal shipments, tentatively forecast at 600,000 tons, if Egypt pursues the moratorium on its military debt announced last September. Recent information indicates that Egypt also has demanded tolls on Soviet ships transiting the Suez Canal since November 1977. The Soviets had been allowed free passage since the canal opened in 1975; in 1977, this exemption was valued at \$30 million. [redacted]

Iran. Iran suspended economic relations with East Germany because of displeasure over the

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handling of the occupation by Iranian students of its embassy in East Berlin. East German police reportedly stood by while the demonstrators broke into the embassy building, held the staff hostage, and destroyed records, equipment, and furnishings. The suspension was lifted after an apology [redacted]

Hungary signed contracts to supply two slaughterhouses as well as a meal plant valued at \$9.7 million, probably on a commercial basis. [redacted]

The USSR and Iran reached agreement on Soviet construction of the northern section of the IGAT-2 gas pipeline that runs from the Kangan fields to the Soviet border. The line will carry 600 billion cubic feet of gas per year to the Soviet border in return for Soviet gas to Western Europe and Czechoslovakia as part of a triangular gas supply agreement signed in 1975. Soviet construction work on the new pipeline will be repaid in natural gas. [redacted]

Iraq. During meetings in February, oil and gas industry specialists from CEMA countries and Iraq reportedly worked up plans for specific projects in Iraq to be undertaken on a multilateral basis by CEMA members. Details on the projects, to be submitted for further study at the joint CEMA-Iraqi economic commission meetings in Moscow later this year, were not announced. [redacted]

East Germany concluded contracts to supply three flour mills and a \$17 million astronomical observatory during a meeting of the joint Iraqi-East German economic commission in February. [redacted]

Representatives from Hungary's Tungram Trade Association signed a protocol with Iraq in February to cooperate in the production of electrical equipment. Tungram previously has built a light bulb factory in Baghdad. [redacted]

A Romanian economic delegation visited Iraq in March to discuss expanded cooperation in the forestry, construction materials, and petroleum industries. No agreements were announced. [redacted]

Kuwait. China is pressing Kuwait to permit Peking to construct a low-income housing project

under its December 1977 economic and technical agreement. China has offered free labor and construction materials at cost for the project. China also is studying a Kuwaiti proposal to build a national sports stadium in Kuwait city. [redacted]

Romania reportedly is seeking funds from Libya for the Navodari petrochemical project on the Black Sea, originally slated for Kuwaiti financing. Romania already has begun work on the complex, even though it has not reached agreement with Kuwait on its promised 49-percent participation. [redacted]

The USSR and Kuwait signed an air agreement in March establishing regular Aeroflot flights to Kuwait. [redacted]

North Yemen. Yemen's Economy Minister signed an agreement with Soviet Embassy representatives in Sana that reportedly provides \$38 million in new credits to expand the capacity of the Soviet-built cement plant at Bajil by 200,000 tons annually. The plant, originally constructed with \$10 million in Soviet credits, was expanded once to its present capacity of 100,000 tons. [redacted]

Saudi Arabia. Both Romania and the USSR recently have expressed interest in establishing diplomatic ties with Saudi Arabia. [redacted]

South Yemen. The South Yemeni Trade Minister visited Bulgaria, Czechoslovakia, and East Germany during March to discuss expanding trade. South Yemen wants to increase the proportion of Communist purchases in total imports. [redacted]

South Yemen's Prime Minister signed a new economic and technical cooperation agreement with the USSR in February that reportedly provides an additional \$85 million in credits for Aden's second five-year plan. Projects mentioned include further oil development and a cement factory. The Soviets also promised to consider a moratorium on debt interest and the lengthening of repayment terms on existing obligations—now due over 12 years at 2.5-percent interest. The Soviets announced plans in 1976 to quadruple

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assistance to Aden in the 1976-80 period; the new credits bring Soviet pledges since 1969 close to \$200 million. Meanwhile, the USSR began work on a school of social sciences, being provided to South Yemen as a gift. [redacted]

Syria. Syria has ordered 50 transformer stations from East Germany to assist in distribution of power from the Euphrates dam. The contract is part of a four-year \$50 million rural electrification agreement concluded in 1977. [redacted]

Romania's Prime Minister Manescu signed an economic and trade protocol calling for increased cooperation in oil extraction and processing, mining, and agriculture during meetings in Syria in March. Damascus, with \$390 million in credits, is Bucharest's largest aid recipient. About 3,000 Romanian technicians are employed in Syria, mostly at the 6-million-ton Baniyas oil refinery and a superphosphate plant in Homs. [redacted]

Chairman S. A. Skachkov of the Soviet State Committee for Foreign Economic Relations traveled to Syria to attend celebrations marking the completion of the 800-MW Euphrates power plant in March. The USSR provided \$180 million in credits for the half-billion dollar Euphrates dam project, which has been under construction for 10 years. The Soviet-built power plant has doubled Syria's electrical output, and associated irrigation projects now under construction will increase the stock of arable land by 700,000 hectares. During the month, Soviet and Syrian railroad construction teams completed a 100-kilometer section of the Damascus-Homs railroad scheduled to open to traffic this year. Skachkov signed a protocol for economic and technical cooperation, but its provisions were not revealed. [redacted]

Turkey. On 7 March Turkey announced the reactivation of diplomatic relations with Cuba, suspended in 1961. [redacted]

South Asia

Afghanistan. In January, the USSR signed several contracts to go ahead with projects being financed under existing credit agreements. A one-

year contract extends the stay of 195 Soviet experts employed in oil drilling and other geological studies in northern Afghanistan. Soviet technical services to the oil industry are provided on credit; according to Afghani sources, the USSR will provide \$250 million for oil and gas development during the current seven-year plan. The USSR also will provide additional personnel to repair roadbuilding equipment and will begin work on medical facilities at Kunduz and Kabul under a \$12 million protocol signed last year. [redacted]

Bangladesh. China signed protocols with Bangladesh in March to provide about \$60 million in credits under a 1977 agreement for a nitrogen fertilizer plant and a flood control project to irrigate 1,800 hectares near Dacca. Chinese technical survey teams already have selected sites for the two projects and are planning studies for a textile mill, also promised under the 1977 agreement. [redacted]

The USSR signed a contract to provide dies and specialized tools to the Soviet-assisted electrical equipment plant at Chittagong, scheduled to open this year. The \$40 million plant was partially financed under a 1972 credit agreement. [redacted]

India. The newly upgraded Soviet-Indian joint economic commission concluded a protocol in March that sets targets for economic and technical cooperation over the next 10 to 15 years. The two countries agreed to develop new projects in steel, machine building, petroleum production and processing, transport, and communications during the current year. Singled out for special mention were the east coast alumina project to produce 600,000 tons of alumina annually and a blast furnace complex. The alumina plant, with a price tag of \$500 million to \$550 million, is the major project envisaged under the new \$340 million Soviet credit agreement signed last May. The USSR already has signed a \$1 million contract to evaluate four major bauxite deposits in Andhra Pradesh to supply the complex; projects to develop the deposits are contingent on the availability of financing for local costs and the securing of long-term contracts to sell the alumi-

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na. The USSR already has agreed to take at least 300,000 tons of alumina annually in repayment of foreign exchange costs.

The Indian press also reported that the two sides are nearing agreement on the long-disputed ruble-rupee exchange rate issue. The new rate is expected to reflect a compromise between the old rate of 8 rupees per ruble and the Soviet demand for 12 rupees per ruble. The main problem blocking agreement over the last two years has been the application of the new rate to old debts. Proposals on this issue were not announced.

More routine matters included the conclusion of a Soviet contract to provide 1.5 million tons of crude oil to India in 1978 under a four-year petroleum agreement signed in 1976 and negotiation of a draft contract for a Soviet nickel-processing plant.

Nepal. During a February visit to Peking, Nepal's Prime Minister obtained tentative Chinese agreement to construct a sugar refinery and paper mill in Nepal. China, one of Kathmandu's major donors, has provided all of its aid to Nepal as grants.

Pakistan. Pakistan's 1978 barter agreement with China calls for balanced trade totaling \$48 million, \$16 million more than the 1977 protocol. Pakistan's barter agreements with China cover only part of the two-way trade. China usually confines its imports to levels prescribed by the protocols, while Pakistan buys substantial additional goods for cash. Pakistani officials have praised the high quality of Chinese goods shipped on barter, noting that the European Communist countries often try to foist off inferior goods under barter arrangements. During the quarter, China also began deliveries to a sheet glass factory being financed under a 1970 credit agreement.

In January, Hungary offered \$100 million in credits for a subway and trolley system in Pakistan. The credits, the largest ever offered by Hungary to an LDC, carry 12-year repayments at 5-percent interest. No mention was made of the project during trade negotiations held in March that resulted in a two-year agreement to exchange \$30 million worth of goods.

A high-level Romanian delegation arrived in Pakistan in mid-January for the opening of the \$60 million Romanian-built Karachi refinery. Bucharest provided \$16 million in credits for the 1.5-million-ton plant. The fourth session of the joint Pakistani-Romanian economic commission that began on 18 January signed an agreement to proceed with a cement plant, first announced for Romanian financing last year, and to discuss construction of a heavy electrical equipment complex and agricultural assistance. Pakistan has about \$40 million in credits left under a 1973 agreement.

Sri Lanka. According to the Colombo press, the Soviet-built Samanalawewa hydropower project—the country's second largest—will be inaugurated soon. The USSR provided \$57 million in credits in 1975 to finance the scheme, which includes a 120-MW power plant and irrigation of 20,000 hectares.

Communist Military Transactions in LDCs

Africa

Mozambique. Mozambique continues to receive a heavy flow of new military equipment from the USSR for expanding and modernizing the Mozambican armed forces.

New items in Mozambique's inventory include heavy amphibious ferries, medium amphibious transporters, and armored personnel carriers (APCs). As many as [] helicopters, Mozambique's first from the Soviet Union, have been delivered in 1978.

In 1977, the USSR signed at least two new agreements with Mozambique for transport aircraft, helicopters, and ground equipment, including additional tanks and APCs. Record deliveries totaling [] comprised [] medium tanks, [] APCs, and large artillery pieces. Some of the artillery, small arms, and ammunition probably were for Rhodesian insurgents, who have received increasing quantities of modern arms from the Soviet Union.

Effective integration of the new equipment is expected to enhance Mozambican military capabilities, although the transition to a more mobile

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and heavily armed force will be slow. In addition to its inability to assimilate new technology and equipment, the maintenance capabilities of the developing army are suspect. As a result, Cuban and Soviet assistance will be necessary for some time to train personnel and maintain the new equipment. [redacted]

Tanzania. In March Tanzania purchased [redacted] SA-6 low-to-medium altitude antiaircraft missile systems from the USSR—Moscow's first sale of this weapon to a sub-Saharan country. Deliveries are scheduled to begin this October.

It is likely that discussions on the SA-6s began last December when Soviet and Tanzanian officials discussed arms purchases under a [redacted]

[redacted] April 1977 agreement which originally had provided for tanks, field guns, hand-held missiles, and other equipment. Payment for the SA-6s is due in advance (in April) partly in hard currency. These terms are much harder than those usually allowed other Soviet sub-Saharan clients, notably Ethiopia.

The Tanzanian People's Defense Force (TPDF) plans to establish five SA-6 battalions, despite advice of Soviet experts that at least [redacted] launchers per unit are required for successful implementation. A shortage of funds probably has inhibited additional purchases.

Tanzania has given training on the system top priority and will send 225 TPDF personnel to the USSR early in April. Dar es Salaam will pay cash for training and will cover transportation costs. Already about [redacted] has been allocated for this purpose, although the total cost probably will surpass this figure. Training, scheduled to begin in October, may be moved up because of unexpected vacancies created by the early departure of Ethiopian personnel.

The USSR also has offered to expand its training of Tanzanian military personnel in other fields. During a visit to Tanzania, a Soviet delegation proposed a comprehensive 10-year program for instruction in modern weapons, advanced tactics, and mechanics. Initially 300 field engineers and technicians would receive training on field artillery, air defense weapons, radar, and missiles. Moscow also suggested tactical and advanced military training for a larger number of

officers in the Soviet Union. Dar es Salaam is to send a delegation to Moscow in early May to plan specific courses.

Despite Dar es Salaam's distrust of the USSR, Tanzania has accepted increasing amounts of Soviet military assistance in recent years. In October 1976, for example, Tanzania was the first sub-Saharan country to receive medium altitude SA-3 surface-to-air missile systems, and in 1974-77, Moscow agreed to provide [redacted]

[redacted] worth of arms to Tanzania, [redacted] which has been delivered. The Soviet ability to provide large quantities of modern weapons has enabled Moscow to displace China (whose arms aid in the past three years was less than [redacted] as Tanzania's major arms supplier.

Tanzanian interest in acquiring a broad range of modern Soviet equipment is rooted in a desire to improve border security and protection for Rhodesian guerrilla bases. President Nyerere's deteriorating relations with Kenya over the demise of the East African Community have increased his concerns about that country as well. [redacted]

Uganda. Uganda reportedly ordered [redacted] MIG-23 jet fighters from the USSR in early April. Thus far, Ethiopia is the only sub-Saharan country which has been provided MIG-23s. Although the planes are not scheduled for delivery until at least early 1979, six Ugandan pilots will be sent to the Soviet Union later this year to begin training. Uganda's six operational MIG-17s are to be returned to the USSR after delivery of the MIG-23s, possibly to offset part of the cost of the new aircraft. [redacted]

Latin America

Mexico. The Mexican Army recently requested information on the price and availability of Soviet artillery and antiaircraft equipment, major equipment items that Mexico plans to purchase over the next two to three years to implement its defense plan. The scheduled purchases include at least a battalion of antiaircraft equipment, [redacted] APCs, rockets, and artillery. Last August the Mexican Army's director of artillery visited the USSR and was shown mor-

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tars, howitzers, and truck-mounted, surface-to-surface rockets. Mexico also expressed interest in 1977 in Soviet AN-22 and YAK-40 transport aircraft and medium helicopters. It is unlikely, however, that Mexico will actually buy Soviet military equipment at this time, when traditional procurement sources remain available. Mexico's strong orientation toward US and Western equipment, as well as a concern over Soviet support and supply of spare parts, will probably inhibit a Soviet sale. [redacted]

Peru. A Peruvian delegation that arrived in Moscow in late March has obtained a Soviet agreement to defer until 1980 payments falling due on Peru's military debt. Peru was able to defer \$98 million in principal repayments and deferred downpayments for 1978-79 and \$51 million of payments for 1980. Lima will continue to make interest payments of \$8 million annually and scheduled payments on unidentified commercial debts of about \$15 million per year. The Soviet rescheduling is somewhat less than the Peruvians had asked for—a moratorium on principal and deferred downpayments for at least four or five years. Peru came under pressure from international lenders late last year to renegotiate the Soviet debt when Lima applied for cash loans to ease its payment crunch. A \$260 million loan from foreign banks was made contingent on Peru's restructuring its Soviet debt. [redacted]

Middle East

North Yemen. The USSR delivered [redacted] Zhuk-class patrol boats to North Yemen in January. The delivery probably was made under a [redacted] agreement inked in 1975. [redacted]

Syria. Syria's Army Chief of Staff was in Moscow in February to review the results of a Soviet assessment of the needs and absorptive

capacity of the Syrian armed forces. New Soviet arms supplies to Syria under the [redacted] in agreements signed last year were made contingent on the recently completed study. Moscow is trying to hold arms supplies for Damascus to levels the armed forces can readily absorb.

The [redacted] December arms deal calls for delivery of advanced weapons systems and modern equipment. Improved SA-6 surface-to-air missiles, [redacted] T-62 tanks, and large quantities of aircraft and land armaments spare parts were reportedly included in the package. Syria already has taken delivery of a large quantity of equipment under a [redacted] agreement signed in June 1977. Since then, the Syrian Air Force has received a large number of fighter aircraft, including [redacted] MIG-21s and [redacted] MIG-23s. The Army has received large quantities of ammunition and spare parts, as well as other military hardware including about [redacted] tanks, amphibious armored reconnaissance vehicles, infantry combat vehicles, 130-mm field guns, and 122-mm rocket launchers. Increased amounts of air defense weaponry, particularly SA-6 related equipment, also have been observed in Syria in the past few months.

In addition to scheduling routine deliveries of Soviet military equipment during the Moscow meeting, Assad may have obtained Soviet commitments on emergency resupply in the event of another Arab-Israeli war. [redacted]

South Asia

India. New Delhi has turned down a Soviet offer of an improved version of the MIG-23 fighter aircraft in an attempt to counter Indian plans to purchase aircraft from West European sources. The Soviet package called for the outright purchase of [redacted] planes and licensed assembly/manufactures of an additional unspecified number of upgraded MIG-23s. Moscow's offer included attractive pricing, quick delivery, and easy credit terms. [redacted]